STEPS TO ACHIEVE A FULLY OPERATIONAL CM/ABC PROGRAM
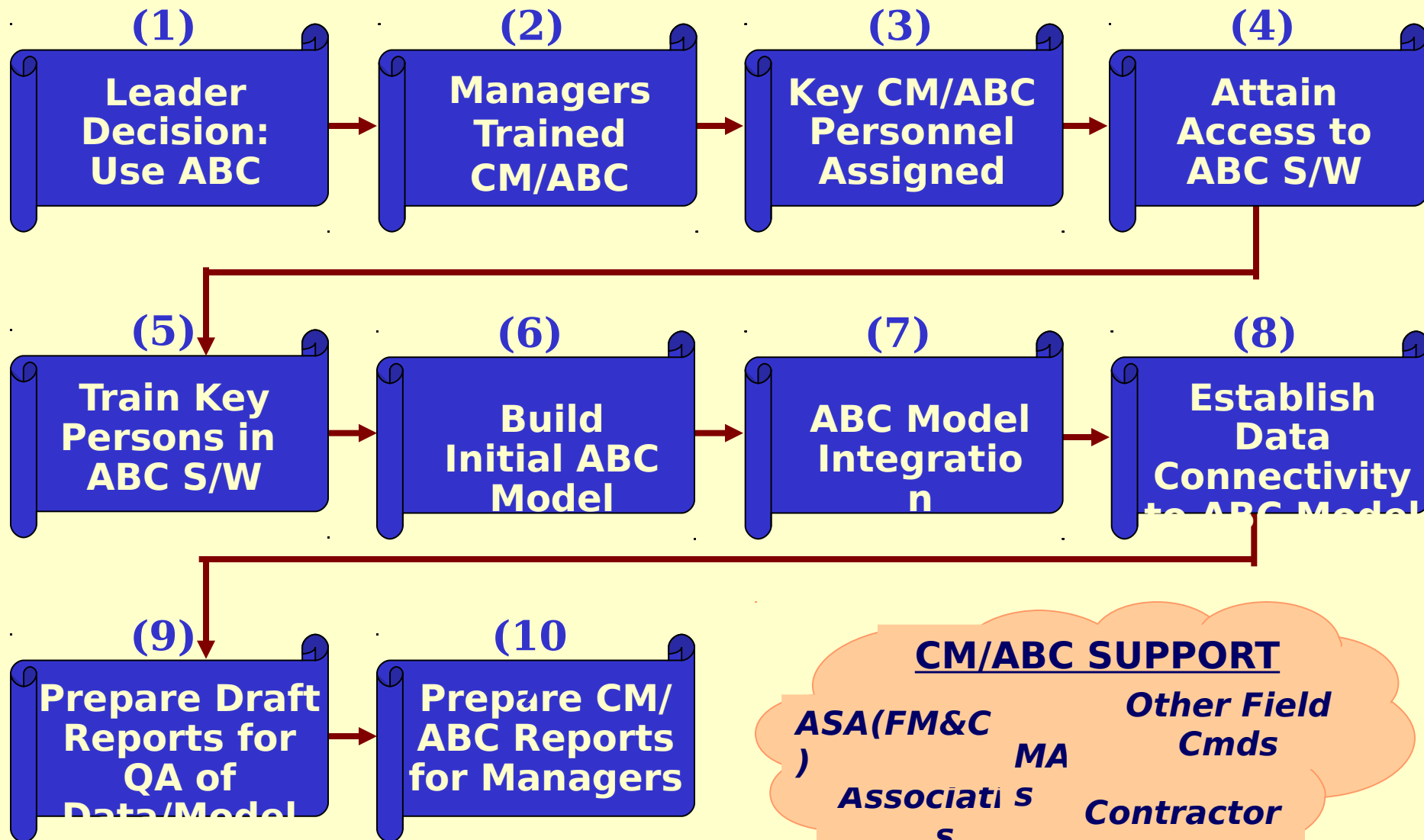
Army Goal is to Establish a Program

to Improve

Cost Management

to Support

Army Warfighters

10 STEPS TO A CM/ABC PROGRAM

(1) Leader Decision: Use ABC → **(2)** Managers Trained CM/ABC → **(3)** Key CM/ABC Personnel Assigned → **(4)** Attain Access to ABC S/W

(5) Train Key Persons in ABC S/W → **(6)** Build Initial ABC Model → **(7)** ABC Model Integration → **(8)** Establish Data Connectivity to ABC Model

(9) Prepare Draft Reports for QA of Data/Model → **(10)** Prepare CM/ABC Reports for Managers

CM/ABC SUPPORT

ASA(FM&C)
Other Field Cmds
MACOMs
Associations
Contractors

NOTE: Order of Occurrence Among Steps 2 – 5 not Important

Leader Decision: Use ABC

1. **Leader contemplates "What do I need to know?"**
   - **What it Actually Costs us to Provide Each Service?**
   - **Which Activities Need to be Improved? … How?**
   - **Where & How can We Cut Costs w/o Affecting Our Mission?**
   - **Where & How are our Indirect Costs being Expended?**

2. **Schedule CM/ABC Training for Managers**

3. **Identify Resources for CM/ABC Team**
   - **Business Manager (familiar w/ Operati**
   - **ABC Modeler(s) Considering Backup ne**
   - **Plan for Data Input to ABC Model**

   Why? … ABC supports Cost Management, Informing Mgrs on Where Resources are Expended

4. **Leadership Meeting**
   - **Align Operations to Mission & Strategic Plan**
   - **Review Work Activities**
   - **Review Performance Measures**

Managers Trained CM/ABC

1. **Managers attend CM/ABC Course (typically 1 or 2 days)**
   - **Directors;   Managers;   Supervisors**

2. **Executive Manager Identify Strategic Outputs & Outcomes**

3. **Managers Are Part of CM/ABC Team to:**
   - **Identify Key Cost Objects, Work Activities, and Resources for ABC Model**
   - **Identify Resource and Activity Drivers and Driver Quantities**
   - **Identify Attributes Required to generate Reports with Relevant Managerial Information**

4. **Managers review ABC Model to ensure it:**
   - **Reflects Actual Operations**
   - **Includes all Significant Costs (Direct & Indirect)**

Key CM/ABC Personnel Assigned

1. **Commander/Director assigns:**

   - **Business Manager (Full Time)**

     | Sits-in Leadership Mtgs | Has Quick Access to Cdr | Personable |
     | Has Cmdr's Trust | Credible | Knows Operations |

   - **Modeler (Full Time)**

     | Good PC Skills | Familiar w/ Command Functions | Credible |
     | Analytical Skills | Experienced w/ Funding Data | |

   - **Data Systems Analyst (Initial Contractor Support)**

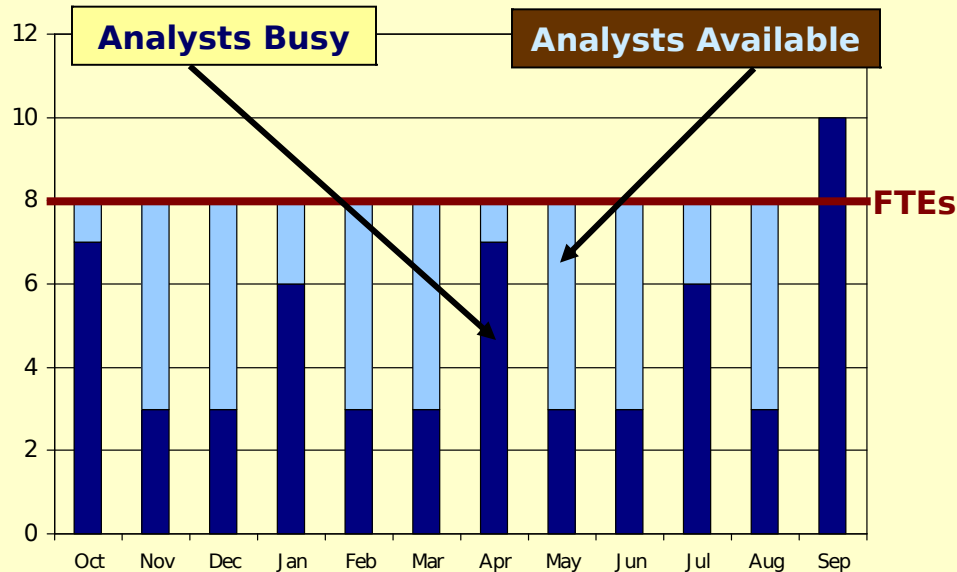 | Data System Skills | Familiar w/ Data Content |

2. **Best of the Best (Key Assets to Command)**

3. **ABC is a Tool, a Power Tool**

4. **ABC Team provides Business Information to Command Mgrs**

CHANGE TO A CM/ABC PROGRAM

Chart legend: Analysts Busy | Analysts Available | FTEs

Y-axis: 0, 2, 4, 6, 8, 10, 12

X-axis: Oct, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep

DEPLOY CM/ABC PROGRAM

1. Existing Resources are Available for ABC/M
2. ABC Software is a Power Tool
3. Operated by Best Personnel
4. All Managers Support/Benefit
5. Integrated by Business Manager

CURRENT SITUATION

1. Labor Intensive Data Efforts
2. Questionable Cost Data
3. Cost & Operations Separate Unlinked
4. Operations Expenditures Unknown
5. Performance Cannot be Measured

CM/ABC SITUATION

1. Use Existing Manpower
2. Accurate Cost Data
3. Believable Execution Status
4. Cost linked to Operations
5. Supports Performance Measures

Attain Access to ABC S/W

1. **OROS 5.5 Software has been Provided by ASA-FM**

2. **SAS ABM 6.1 is Currently being Deployed**
    - **Web-based, Client-server**
    - **Requires Server w/ SQL Capabilities**

3. **CM/ABC Training Available**
    - **ASA-FM;   DAU;   TRADOC;   Contractors**

4. **Information about CM/ABC Programs at other Organizations', Software Capabilities & Support, and Cost Initiatives are Provided by ASA-FM & Army MACOMs**

Train Key Persons in ABC S/W
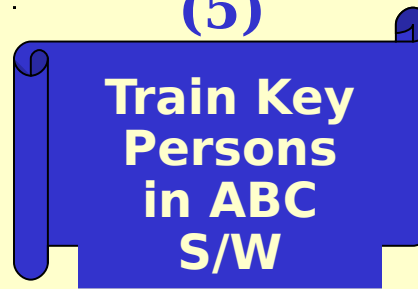
1. **Key Personnel that require ABC Software Training are:**
   - **The Business Manager**
   - **ABC Modelers**
   - **Data Systems Analyst(s)**

2. **Training for ABC Application Users**
   - **Classroom (typically 4 days)**
     - ✓ **CM/ABC Concepts (Resources-Activities-Output)**
     - ✓ **Use of ABC Application Software (OROS 5.5 or ABM 6.1)**
     - ✓ **Examples to Illustrate How to Use Models**
   - **On-site Rapid Prototype (typically 4 days)**
     - ✓ **Process(es) of Current Organization Documented prior to RP Session**
     - ✓ **ABC Model Developed (Resources-Activities-Output)**
     - ✓ **Appropriate Managers, Business Manager, and Modelers All Participate in Model Build; Facilitated by**

Build Initial ABC Model

1. **Personnel Required to Build/Upgrade ABC Model are**

   - **Commander & Directors**
   - **Command Business Manager Managers**
   - **Data Systems Analysts**

   - **Line Managers**
   - **ABC Modelers**

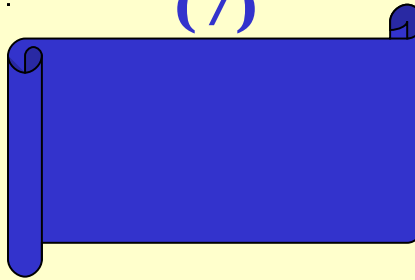2. **Learn Basic Concepts of CM/ABC (Typically 1/2 day)**

3. **Build ABC Model that Reflects Organization (about 4 days)**

   - **IAW Existing Command Operations & Functions**
   - **Key Elements of Model Require Agreement among Managers**
   - **Identify Output (Cost Objects)**
   - **Describe Key Activities (e.g. Work Performed) that Produce Output**

Resources → Activities → Cost Objects
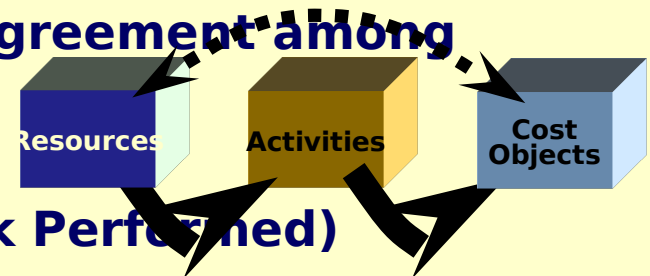
1. **ABC Model Receives Input from All Managers –**

   - **Financial** · **Personnel** ·
     DOIM

   - **Line** · **Administrative** ·
     PW

   - **Resource** · **Service, Safety, etc.**

2. **ABC Data Reviewed –**

   - **Supervisors for Completeness & Accuracy**
   - **Managers Validate for their Division**
   - **Directors Approve for Directorate**

   Organization names used as examples, adapt as needed.

3. **ABC Reports Prepared –**

   - **By Business Manager for Each Command Level**
     (Branch -> Division -> Directorate -> Garrison)

   1. **Approved at Each Level prior to Reporting to Next Level**

NOTE: ABC intended to support all levels of the organization for complete Cost Management

Establish Data Connectivity to ABC Model

1. **ABC Model Receives Input from –**
   - **Financial Sources**
   - **Direct Labor Hours Sources**
   - **Other Applicable Sources**

2. **ABC Data Reviewed –**
   - **Supervisors for Completeness & Accuracy**
   - **Business Manager for Timeliness (Expenditures tied to Activities)**
   - **Managers Validate for their Division**
   - **Directors Approve for Directorate**

Organization names used as examples, adapt needed.

3. **ABC Reports Prepared –**
   - **By Business Manager working with Each Command Level (Branch -> Division -> Directorate -> Garrison)**
   - **Approved at Each Level prior to Reporting to Next Level**

NOTE: ABC intended to support all levels of the organization for complete Cost Management

Prepare Draft Reports for QA of Data/Model

1. **QA data for –**
   - **Definitions**
   - **Completeness**
   - **Applicability**
   - **Accuracy**
   - **Timeliness**
   - **Understanding**

2. **Review Data Processed by Model for –**
   - **Integration of Resources, Activities, Output**
   - **Integration of Direct and Indirect Costs**
   - **Ensure All Costs accounted for**
   - **Discoveries of Costs & Reasons**

- **ABC Brief preparation –**
   - **Modeler(s) prepare Data, Tables, & Charts**
   - **Business Manager prepares Business Presentation**
   - **Applicable Managers Review and Approve**

Prepare CM/ ABC Reports for Managers

1. **ABC Results Briefed up the Organization –**

   (Supvsrs -> Managers -> Directors -> Commander)

2. **ABC Brief presented by Managers to Next Level Up –**
   - **Business Manager coordinates w/ Commander & Deputy**
   - **Business Manager establishes Briefing Structure based on –**
     - ✓ Commander Expectations
     - ✓ IMA & Region Requirements
   - **Modeler(s) prepare Tables and Charts**
   - **Business Manager coordinates w/ all Managers to:**
     - ✓ Validate Data (accuracy, clarity, consistency)
     - ✓ Ensure Business Information in brief is Clear and Accurate

3. **Business Manager coordinates w/ other Commands**

Organization names used as examples, adapt as needed.

OPERATIONAL CM/ABC PROGRAM

Leaders Ask Questions:

• **What is the Total Cost to provide Service X? Can we do this Cheaper?**
• **Which Alternative Saves us the Most Money or Resources?**
• **Which Activity can be Changed to Reduce Cost/Improve Performance?**
• **Why did Output Q Cost so much to Produce? ...where to reduce costs?**
• **Where are all the Indirect Costs being Spent? ... and why?**

Continue to Refine Cost Management Information (ABM Model)
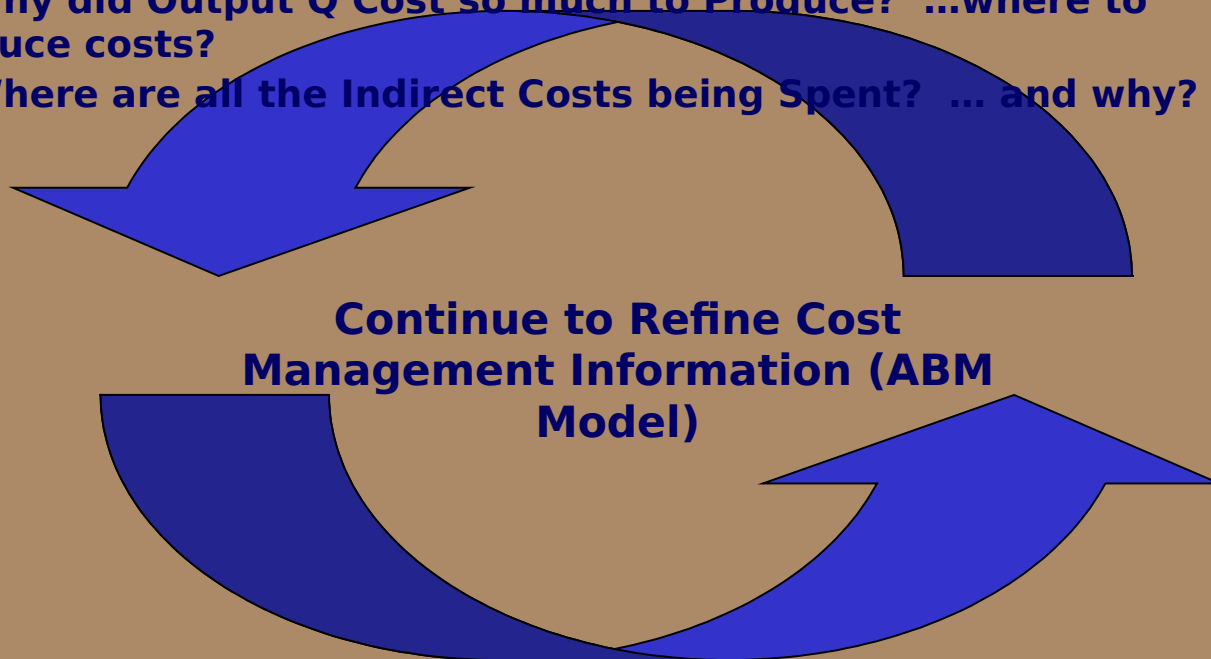
Everyone in Organization Responds Openly with Information & Ideas:

"CM/ABC CULTURE IN PLACE"